

HR Weekly Podcast
5/30/2007

Today is May 30, 2007, and welcome to the HR Weekly Podcast from the State Office of Human Resources. This week's topic concerns the recent Congressional approval to increase the federal minimum wage.

For the first time in a decade, America's lowest-paid workers would see an increase in the federal minimum wage. Passed by both houses of the United States Congress last week, the minimum wage provisions were included as part of the Iraq war spending bill. President Bush has indicated that he plans to sign the bill into law.

The current federal minimum wage for covered nonexempt employees is \$5.15. The federal minimum wage provisions, contained in the Fair Labor Standards Act or FLSA, apply to state government agencies.

Many states also have minimum wage laws. When an employee is subject to both the federal and state minimum wage laws, the employee is entitled to the higher of the two minimum wages. More than two dozen states and the District of Columbia already have minimum wages higher than the federal level. While bills were pending in the South Carolina General Assembly this session to set a higher state minimum wage than the federal minimum wage, none of those bills has passed.

Raising the minimum wage was a key part of the Democrats' election platform that saw a shift in Congressional leadership this year from Republican to Democrat. To help make the minimum wage increase more palatable for Republicans, the Democrats added tax relief for small businesses to help them hire new workers and offset any cost associated with the increase in the minimum wage.

Under the new federal law, the minimum wage increases to \$5.85 two months after President Bush signs the bill, then to \$6.55 one year later, and to \$7.25 the next year in 2009. The total increase is \$2.10 over the two years.

Currently, a person working 40 hours per week at the current minimum wage of \$5.15 earns about \$10,700 a year. An increase to \$7.25 would increase that salary to just over \$15,000 a year.

In South Carolina state government, the salaries of those employees currently earning less than \$5.85 would need to be adjusted to reflect the increase in 2007. Please be sure that you make this adjustment in the appropriate payroll.

Under South Carolina state government's current compensation plan, the minimum of a Band 1 position is \$10,712 which reflects the current federal minimum wage. The minimum of a Band 1 position would change to \$12,168 in 2007 to comply with the new federal minimum wage of \$5.85. OHR will notify you when this change is effective and also will adjust HRIS to reflect this change.

In addition, OHR will make adjustments to the compensation plan and HRIS to comply with the subsequent federal minimum wage changes in 2008 and 2009. We will keep you informed as those adjustments occur. If you have any questions, please contact your HR Consultant at 737-0900.

Thank you.